



## “Oberoi Realty Q2FY12 Earnings Conference Call”

**October 17, 2011**

**Moderator:** Ladies and gentlemen good evening and welcome to the Oberoi Realty's earnings conference call for the second quarter and the first half of fiscal year 2012 that ended on September 30, 2011. We have Mr. Oberoi, the chairman and Managing Director of the company and Mr. Daru, the Chief Financial Officer of the company with us for the call. Please note that this call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen only mode and this conference is being recorded and may be put on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing \* and then 0 on your touch tone telephone.

Before I hand the conference over to the management I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward looking statements including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward looking statements are based on expectations and projections and may involve a number of risks, uncertainties and other factors that could cause the actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now pass the conference over to Mr. Oberoi, the Chairman and Managing Director of the company, thank you and over to you sir.

**Vikas Oberoi:** Hi, good afternoon, good morning, good evening depending on which part of the location you logged in. Welcome to our second quarter earnings of FY12. I would like to firstly thank you for taking time out and coming on this conference call. This is our fourth after we have got listed and it has been a pleasure so far. It's been a good quarter for us. We have handed over possession of our project, Oberoi Splendor and handed over more than 700 units. This takes our total tally of projects that we have completed till date to 35. Sales continue to be good despite the way the markets are. We have also given our contract for Worli, the Oasis Realty to Samsung and they continue to execute and in fact ahead of schedule there as well. We also bought 50% of ICICI ventures share in the Worli project, a little over 4 acre in size. I'll now transfer this call to Saumil Daru, our Group CFO and after that we are more than happy to take your questions. Thank you.

**Saumil Daru:** Thank you Mr. Oberoi. We are nearly a year now since our listing on the markets in October 2010. It has definitely been an eventful year post listing. What we would also like to say is that over the year we have also received a lot of feedback from the analyst or the investor community and based on that feedback we decided this time to keep a gap between the Board meeting and the conference call. Considering the fact that majority of the people on the call are associated with us for the last 4 quarters, they know the company pretty well and also this time around would have had the luxury to go through the presentation well in advance, I will restrict myself only to some of the macro numbers thereby leaving little more time for any of the questions or answers that you guys may have.

The revenue for Q2FY12 as you all would have read was 256.88 crores, which is a growth of 45% over the corresponding quarter last year. The EBITDA was at about 111.55 crores, which results in an EBITDA margin of about 52% for Q2FY12. The PAT for the same period was 111.44 crores, which is a growth of 17% over the corresponding quarter last year. The PAT margin was about 43% for Q2FY12. This also being end of H1FY12. I'll like to share some numbers on that with you. The revenue for H1FY12 was 471.95 crores, which is a growth of 38% over the corresponding half year last year. EBITDA was at

about 205.88 crores. And the EBITDA margins are at about 54% for H1FY12. The PAT for the half year was 217.21 crores which is a growth of 24% over the corresponding half year last year. This also reflects or rather results in a PAT margin of 46% for H1FY12.

A very brief comment on the EBITDA margins for each segment. The EBITDA margins on the rental income from the mall and Commerz continue to be in excess of 95%. There has been a small decline in the margin from the Hospitality business. However as we have discussed with you during earlier calls, this is more because of the seasonal nature of the business and in the hospitality sector in Mumbai, the H2 is always a little better than H1. The residential EBITDA are at about 54% for H1FY12 and about 50% for Q2FY12. With this we are more than happy to start taking questions. So I leave the floor open for questions.

**Moderator:** Thank you sir. Ladies and gentleman, we will now begin with the question and answer session. We have the first question from the line of Unmesh Sharma from Macquarie, please go ahead.

**Unmesh Sharma:** Thank you very much for taking my question. I have a few questions regarding the acquisition in the Worli project. In case of your partner ICICI Ventures, did they have a put option at the time of exit? Secondly in case of the right of first refusal, was the right of the refusal held by the 50% partner which was a promoter entity or was it the listed entity? Regarding the pricing of that, was there any agreement for price or fixed assured return before the deal was struck or was this based on market forces at time of deal and what was the basis of valuation and specifically within the project now, what after the favorable court judgment which we are quite excited about, what other approvals are pending and when can sales or constructions start and what is the approval for the FSI? Thank you.

**Vikas Oberoi:** Hi Unmesh, this is Vikas. Firstly there was no put option. In fact we had a right of first refusal that was with me personally and I let the company exercise this right of first refusal. The valuations obviously were done keeping in mind that we have the right of first refusal. So we obviously believe we got a sweet deal. We had an external valuer also help us come to the valuation. Having said that, as far as the approvals go, Supreme Court has already given an order with regards to the transfer fee the BMC can charge. We now need to get that order effected to others well because all court orders unless corporation takes a suo motu view, it doesn't get applicable to everyone. In fact corporation has moved a file which talks about 10% as transfer fee. We have gone through the regime when the transfer fee was only 7%. So we obviously are looking at getting a court order. Court order says that they cannot charge any transfer fee. So that per se is great. Obviously once this comes into play then the approvals will start and I am hopeful that we should be able to get going as far as construction goes in the next 12 months. So that's where we are. There was no agreement between ICICI and us to give them any fixed return whatsoever. It's a clear market forces driving this. And so we believe we have got a very sweet deal. We were able to, once I personally own 50%. There are not many people who want to buy the rest of the 50 unless it's a fund and that also will come in only when I feel comfortable and so on and so forth. Most of the market knows that we are cash rich and we are willing to or wanting to buy, not many people will throw their hat in the ring. So we were lucky the structures helped Oberoi Realty get a damn good deal and that's it, have I missed any of your question?

**Unmesh Sharma:** Just one thing, what was the FSI on the project.

**Vikas Oberoi:** Okay see at present the FSI is restricted to 1.71, not 1.33 which normally one gets. Here there was a construction which was already done by GSK, so one is entitled to hold that. But we might look at may be car parking or even for that matter, additional FSI, in any other form. If it's a hotel, then we can do part shopping and something like that. We are really open, we know it's a great deal, the price at which we are getting the property. Now how to skin it is something that we'd put our heads together and do. We know what the value will be at X but we want to try other permutation combination and see how we can maximize the value.

**Unmesh Sharma:** Perfect. Sorry, just one follow up regarding now the 2 partners, which is you and personal capacity under list-co, during when the revenue was collected and when the cost had incurred, will there be any preferential flow or will that be exact 50-50 at the time when it is incurred or collected?

**Vikas Oberoi:** You know honestly I am not even a happy 50% holder personally because my own interest lies in running my company. I am committed to the market that 100% of real estate will be done by Oberoi Realty. This obviously is something I have acquired prior to me even having made Oberoi Realty go public, in fact for that matter even before I did my private equity. So the other option was that I sell it at the same price but then again, I am draining the cash out of my company and I didn't want it to look like related party transaction. Having said this I want to clearly say that there will never be any preferential treatment to me and it's only for you all to see going forward that I walk my talk.

**Unmesh Sharma:** Thank you very much. This is very clear.

**Vikas Oberoi:** Thanks.

**Moderator:** Thank you. The next question is from the line of Sashikiran Rao from Standard Chartered, please go ahead.

**Shashikiran Rao:** Hello sir. Thanks for taking my question. Can you walk through the movement in cash and cash flow shown in your Balance Sheet? In the last quarter I believe the total was 1,500 crores, so 300 cores difference now in this quarter is entirely on account of the payment to the ICICI ventures?

**Saumil Daru:** Hi Shashi, Saumil here. Two things, one is, if you look at our presentation, there's not only the payment to ICICI but there are some ups and downs also, primarily we have got operating cash flows or so which are contributing positively to this. Then in addition to that we also have certain investment assets if you look at it in the form of the Commerz II building. So there is some cash flow which goes into that also. So if you look at it there is about 86 crores of cash flows coming in from operations. There is about 15 crores negative of financing cash flows. These are just the financing parts but the investing cash flows are at about 288 crores of investments. Now this includes the ICICI one as well as the investment which we put into the fixed assets. So that in a nut shell kind of explains how the cash has moved. So a large part of it is obviously related to the ICICI venture transactions but not all of it.

**Shashikiran Rao:** Okay of the 288 crores, how much will be for ICICI that you have already paid?

**Saumil Daru:** We have paid the entire consideration to them. There is nothing which is pending now.

**Shashikiran Rao:** Okay what is the amount?

**Saumil Daru:** See as far as the quantum of the amount is concerned, we have certain non disclosure arrangements right now which are in force. We will not be able to share the exact amount.

**Shashikiran Rao:** Okay. Is there any decline in the EBITDA margin in the residential segment? Is there a marginal seasonal effect?

**Saumil Daru:** Yeah there is a marginal effect. 2 reasons, one is for 2 projects which we have which is Exquisite and for Grande. We have revised the specs a little bit. So there is an additional cost coming in due to the revision in specs. Obviously this will also result in certain enhanced revenues at the go forward for all the flats which we have not sold. So from an accounting perspective, the impact of some of the revision in estimates comes in the quarter in which you make the revision in the estimate. So that is one reason. Second, for the project Oberoi Splendor, we have completed the project as you mentioned earlier, we have started handing over the possession of the project. In that project what we have done is a) obviously since it has reached the conclusion, we now know the exact level of cost, so if at all there has been any difference between estimates and actual then that gets reflected. And in addition to that as far as the project per se was concerned we also revised our interest rate which we were charging the customers in that project for the late payments from about 24% to about 9%. And what we have also done is, we also have told the customer that whatever interest we collect on the basis of this 9% and whatever we have already collected, all of those will be handed over as a corpus to the society. So on both these counts, we have a combined charge coming in to the P&L and that is the reason why there is a little bit of a compression in margin even in the case of Splendor but from our perspective we wanted to do that exercise as a way of building up goodwill for that project. And this only helps us enhance our brand in the market. So while from a strictly P&L perspective, I would look at it as an expense. This is more like an investment in building up a brand as far as practicality is concerned. So it's just basically on these 2 counts that we are seeing a little bit of margin dip happening. Hopefully as we go ahead from the coming quarters this will get reversed.

**Shashikiran Rao:** Okay great, thanks.

**Saumil Daru:** Thanks Shashi.

**Moderator:** Thank you. The next question is from the line of Puneet Jain from Goldman Sachs, please go ahead.

**Puneet Jain:** Hello, Good evening everybody. My first question is with respect to how do you see your 50% stake in this I venture deal? Do you think that at some point of time you will get proportionate cash flows or do you think that at some point of time, you may go ahead and buy the stake? At some point of time Oberoi Realty will buy the stake from you, how do you see this spanning out over the course of next 6 quarters?

**Vikas Oberoi:** Puneet, as I told you earlier that we are committed to doing all our projects only to Oberoi Realty. All I want to say is that we will not sell this to Oberoi Realty for sure because this will be a related party transaction, not today not ever. And there are 2 options we have, either I sell it to third party and Oberoi Realty continues to partner with them or I continue to be a partner with a self extinguishing project. Once the project gets done, build sold whatever, then I have an exit and not at the hands of Oberoi Realty but third party and I get out of that project this way. But we are very conscious of the fact that we are just about building our reputation in the financial world, we do not want to do anything which will jeopardize not only

how people perceive us but how people perceive the entire sector, because we are under watch, all of us, I mean all developers put together. So I don't want to do anything which will probably send a wrong signal. So we are very conscious of this. And we have taken note, we have met a lot of people, investors, analysts and we speak to them and this is the advice we have got, that don't sell this.

**Puneet Jain:** Ok thanks I think that answers it. The second is with respect to on going land pricing in Mumbai.

**Vikas Oberoi:** On-going? Sorry.

**Puneet Jain:** On-going land pricing in Mumbai because still you have got large level of cash in your balance sheet, in guidance as to how you could close more deals and over the course of next 3 months to 6 months. And do you think that we are closer to closing more deals given the fact that markets haven't been very good for the past 12 months.

**Vikas Oberoi:** Puneet, you are spot on with your question. We obviously continue to believe that we stand a very good chance to buy land. A lot of developers are highly leveraged. So this leaves very few of us to buy external land. There are 2 ways. One is like fresh land that will come out of any corporate wanting to sell or any landlord wanting to sell. Having said that I would also say that I am not discounting the fact that some of the developers may also want to sell their property. So we are in the buying mode right now. But again as I said that we continue to be cautious. We want to get a fair deal for the company. We are not desperate. We will wait for the right opportunity to come and we will execute that. So to answer your question straight, yes we believe that there will be opportunity and we continue to be proactively looking at it.

**Puneet Jain:** Okay thanks a lot.

**Vikas Oberoi:** Bye.

**Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Edelweiss Securities, please go ahead.

**Ashish Agarwal:** Good evening sir, this is Ashish Agarwal.

**Vikas Oberoi:** Hi Ashish.

**Ashish Agarwal:** Congratulations on a good set of numbers. My question is really pertaining to the sales strategy going forward. So I was looking at your projects specific sales, I note that you sold out most of your ongoing projects, so be it Exquisite or Grande which has is 50% sold out, and Esquire being 30% sold out. So in terms of going forward, we would require newer projects to keep up the sales momentum. Is my assessment right and in that case, what is the guidance in terms of new launches, because we have been waiting for some guidance from your side as far as Mulund and Worli are concerned?

**Vikas Oberoi:** Ashish absolutely correct, firstly we have a lot to sell in both Esquire and Exquisite and Grande. You are right that 30% and 50% but in the same breadth 70% and 50% are left to be sold. So these will continue to get a lot of attention from flat buyers because both of them happen to be in at sites, which have really hit a tipping point. The school is doing well.

The mall is doing well. The hotel is doing well. The commercial spaces here are doing well. So we see a lot of pull for these apartments. So this will continue to do well. We will be starting sales for Oasis Realty probably within the next quarter or the quarter after that. As in for sure, the last quarter, so that will start coming in. Mulund we have kept for the next year may be first quarter next year. So you will see a lot of new launches that will come in as we speak.

**Ashish Agarwal:** And second sir, in terms of the previous quarter, we were discussing about Commerz 1 and the occupancy being about 75% and we were, hoping that this would go to a very high number at the end of this quarter. If you can give us some guidance as to when do we see the additional leasing in Commerz-I panning out.

**Vikas Oberoi:** Ashish my clear belief is that commercial projects are directly linked with the economy. If most of the big MNCs are going to curtail or control the cost and not going for expansion, then obviously office spaces do slow down. And we are seeing that ourselves. Having said that, this is cyclical and momentary. As a company I am being trained to look beyond a couple of quarters. In fact maybe even beyond 1 year of business. All I want to say is that the minute the economy bounces back; there will be a clear shortage of office space because not many developers are building that. Today not many people have the cash flow. We are lucky, God has been kind. So we have the cash flows. We are committed to building it and we are going ahead and building these. And as soon as the market revives, we have seen that happen in 2007 also, we have leased Goregaon to companies like Mercer and all that at Rs.220 a square feet also. And today lets say our average leasing is around 130 around. So all I want to say is that when the going gets good, these are large numbers of deals that takes place. And we would like to be in a position and be ready for that market because the turnaround time for such projects would be 3 years and plus. And we are still half way into building it. So we are not unduly worried. Yes there is some sort of slow down, we don't deny that. But it doesn't really move our needle as such.

**Ashish Agarwal:** Sure thanks that's it. One last bookkeeping question, there's an increase in loans and advances in the quarter about 100 crores, if you can throw some light on that.

**Saumil Daru:** If you will look at it, there is an additional funding of I mean this is basically the funding which goes in to Oasis Realty. So if you look at the inventory, it's about 125 crores. So if you will look from a consolidation perspective, when we consolidate it, the entire contribution which we make to that project goes under loans and advances. So the large part of that loans and advances are money which we paid for that. Also when we gave the contract to Samsung, there was a large advance which was paid to Samsung. So this is basically reflective of that.

**Ashish Agarwal:** Sure. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Sameer Baisiwala form Morgan Stanley, please go ahead.

**Sameer Baisiwala:** Yeah thanks. Good evening everyone. I am looking at page number 22 and it has details about Oberoi Exquisite. Just wondering from quarter 1 fiscal 12 to quarter 2 fiscal 12 last line, your ASP seems to be coming down from 15,911 to 14,168, what's driving this?

**Saumil Daru:** It's basically the floor mix Sameer. It all depends on during that quarter on which floor we have sold the apartment. You know, for example, our pricing strategy is very clear as base rate plus the floor rise. Our floor rise is 1% of the

base rate. So our base rate remains constant. But if in a particular quarter we end up selling more flats on the lower floors, then obviously your average realization in that quarter will look a little less towards the lower side and correspondingly if there are flats sold on the higher floor, it will end up looking better on that count. So there has been no change in the base rate whatsoever.

**Sameer Baisiwala:** Okay and looking at next 6 months to 9 months, how should we think about the base rate pricing for Exquisite and Esquire?

**Vikas Oberoi:** Sameer, like I told you we have enhanced the specs of the projects due to 2 things, one is we have got feedback from Splendor projects and we also have done our own R&D realizing that we need to up the ante for competition as ourselves as well. So if you look at that and you know if you believe you are doing a better product, then we are in a position to probably charge that customer a little more. So I will only see prices going up based on what I told you and also based on the fact that with so many apartments delivered and with the way the company is positioned with its brand name and all, I feel we are in a position now to probably push those prices a little more. We have already done it in Grande. This happened post September, so they are not reflecting in this quarter. But we have already increased price in Grande and we are going ahead and increasing prices in other projects also.

**Sameer Baisiwala:** Just on Exotica that is Mulund, I think it was meant to be middle of calendar 11 launch event, which now we are probably looking at middle of calendar 12 launch. Just wanted to understand that, technically speaking where exactly we stand on the environmental clearance? Is there a very definite light that or definite progress being made in terms of approval or this is just some sort of an estimate which can keep moving forward?

**Vikas Oberoi:** Well firstly it is a rough estimate which might keep moving forward. But within that statement there is clearly hope. One you know that the Supreme Court has given us a clear order asking us to go ahead and construct and also create third party interest. They also said that we need to get MOEF clearance. Now when they say we need to get MOEF clearance, this clearance has to be sought by the state government. And unfortunately the state government had not moved its machinery to apply and get these orders because we have to do a collective application of all that has happened since 1952 and you know how the data collection happens in the government department. But we've been really tracking it and following this and I have realized that the government has now taken an initiative. In fact there was a question being asked in the assembly because there are more than 100,000 flat holders who are already staying since 20 and 30 years and have been affected because there are these people who want to sell, move out and so on and so forth. So some of the leaders have taken this question into the assembly and some sort of assurance is being given on the floor of the house that this will be done soon and we are following that up, government is now taking that up. So this should happen sooner than what we expect. But again since we are in the hands of the government, one can do very little.

**Sameer Baisiwala:** And one just final question, any thoughts on the monetization plans on Prisma?

**Vikas Oberoi:** Yeah, we have not started that as yet. We have some tweaking on design to be done and once we do that then we will probably start that.

**Sameer Baisiwala:** That could be strata sale or that could be one large or two large institutes?



**Vikas Oberoi:** I think we will end up going into strata sale because in a economy like this the large companies are not having any expansion plans. If one has to sell then we probably look at strata sell because these smaller companies or promoter driven companies still continue to believe and believe in buying these office assets which they would. So we are looking at that as well.

**Sameer Baisiwala:** What's the time line? Just a final question.

**Vikas Oberoi:** Again fluid I would say. We are waiting for the commercial market to come into its own. Until and unless that happens we are not really willing to comment on that as such. We are ready sellers as we speak, not really gone out into the marketing in a hardcore fashion but like I admitted that the commercial market continues to be a little soft at the moment.

**Sameer Baisiwala:** Thanks.

**Moderator:** Thank you. The next question is from the line of Danish Mistry from Tata Mutual Fund, please go ahead.

**Danish Mistry:** Good evening Sir, congratulations on your result. Just wanted to understand what would be your product differentiation for the Glaxo project given that in Oasis you are actually doing branded residences and the service hotel whilst you mentioned that you want to start construction in Glaxo in another 12 months. So, what kind of product would you be looking at?

**Vikas Oberoi:** Hi Danesh, good question again. We are not really clear as to what we want to do. We are also studying various facets of the market, what is in the offing. You are quite correct that we ourselves are doing large apartment development in Oasis and it's the kind of a category killer with like 2.1 million square feet plus. So we are aware of that and we continue to think what one needs to do, we are not really clear. I mean we have a backup plan which is very good enough but we want to go in for maximization, so we will apply ourselves a bit. Its early days that we have acquired the interest and once we are clear we will surely come back to you on this.

**Danish Mistry:** Thank you so much and best of luck.

**Vikas Oberoi:** Thanks Danish.

**Moderator:** Thank you. The next question is from Anand Agarwal from Jefferies, please go ahead.

**Anand Agarwal:** Good evening everyone. Most of my questions have been answered, just couple of follow-up questions. Firstly on the I-Ven realty project, I mean the land, in 2009 the municipal commissioner had passed an order cancelling the transfer of lease to the company. So is the Supreme Court judgment pertaining to that also or is that still a pending issue?

**Vikas Oberoi:** No Supreme Court judgment is only for the transfer of property and his order somewhere is drawn out of the transfer itself. So once it's legally proven that the Corporation has no right to really charge any transfer fee all this also fails. So, we are in the court and that's why we said that we will take anywhere between 3 to 12 months to get this resolved and get going with it.

**Anand Agarwal:** In the other Worli project, the delay on the launch or is the launch only contingent upon you tying up for the hospitality projects or are there any other approvals or anything that still needs to be sought for that project?

**Vikas Oberoi:** No; approvals are in place and we continue to construct. We have given the contract to Samsung. As far as Samsung goes, over 125 crores are pumped into that project, all approvals are in place. We are only waiting for the brand. Why would I discount something if I know that with a brand I can get a better price? So I am actually not even waiting for the launch even if I formally sign with the brand, I will start doing soft marketing and sales even before the collaterals and all these are ready. We are not waiting for all that but we are certainly waiting for the brand to be signed.

**Anand Agarwal:** Thanks a lot.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Prakash Agarwal from RBS, please go ahead.

**Prakash Agarwal:** Good evening sir. On this treatment for this deal that you have done, if you see the capital employed, it shows goodwill of 265 crores. Can you explain the treatment how it goes to equity?

**Saumil Daru:** Basically, the difference between the book value of the shares and our acquisition value, gets reflected into the financials as goodwill and this is purely goodwill on consolidation which happens.

**Prakash Agarwal:** And if I look at loans and advances also there is tax credit and your current tax rates are 22%, so going forward do we see tax rates to go down and then go up or how do we see your tax structure going forward?

**Saumil Daru:** No the tax credit is coming in primarily from the MAT credits which we had because if you recollect we always said that Splendor is an 80-I (b) project, so that is a tax-free project under the income tax act. So obviously from the profits on that project we are paying taxes under MAT right now. So that credit is available for set-off in the future, our future projects will get taxed under the normal regime which is 30% one. Our house property income gets an effective taxation of about 20%- 22%. So based on that, going forward that is how the taxation will run. We will be able to utilize these MAT credits against the tax liabilities which will arise from all our projects in the future.

**Prakash Agarwal:** So, going forward we could easily assume at least for the next 4-6 quarters of 25% tax?

**Saumil Daru:** Whatever average we have even right now on the financials which is about 20% to 23%, you can continue to make that assumption. The only thing is that instead of this discharging those liabilities purely by paying the tax we will be able to set off large part of that by using the tax credit available.

**Prakash Agarwal:** My next question is to Vikas, in terms of the sales volume run rate we are doing, this quarter we did around 80 plus, last quarter 90 plus. Are we happy with this kind of sales volumes run up or but you already said you want to increase prices but don't you think if you decrease price by even 5%-10% you would see much more volume ramp up?

**Vikas Oberoi:** Obviously, one wants to increase the run rate and that will happen from both revenue and the number point of view when we have Worli coming-in in the Oasis Realty. As far as Goregaon and JVLR go, we don't see any resistance per se on price. The conversions are very good and I don't see any reason why we need to drop prices. Infact like I said that we see a very good demand and hence we are confident that the Rs 500 or Rs 1,000 increase in price will not hurt the present momentum. So, on the back of these two, knowledge we are doing an entry there.

**Prakash Agarwal:** And any plans for any redevelopment projects or something like that?

**Vikas Oberoi:** We continue to be interested in redevelopment and we genuinely believe that on not sounding charitable but we genuinely believe that we can do a great job for a lot of these so-called individual who live in a society, rebuilt and deliver them a good product. But unfortunately the system or the way it's built, it so difficult to get 100 people together to see what is good for them and some vested interest try and exploit such situation. So we won't deny that we are finding it difficult to crack this but we continue to try and hopefully we will succeed as well. So that's where we're at the moment.

**Prakash Agarwal:** Last question more on the sector question, in terms of as you said the Mumbai real estate approvals. So any color, anything improved over the last 3 months since we last spoken on the conference call or its still in a limbo but you have started to get approvals?

**Vikas Oberoi:** No, approvals are available today if you want to stick to DC rules. Fortunately for us we have always been doing that so you continue to see us getting approvals and building them. If you obviously want to expand the rule to your comfort then there are challenges. I'm not taking away that there will be additional cost as far as premiums go. But again we were anyway paying this either to the landlord or now we will end up paying to the corporation. So if corporation was giving this free FSI or rather they are giving you this FSI then you ought to pay them and that's logical and this money goes into the infrastructure of Mumbai then it's a win-win for all of us. We are per se not at all opposing this, we clearly see that this sort of thing will only being in a level playing field and bring developers like us at par with other.

**Prakash Agarwal:** Thank you so much.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal, please go ahead.

**Sandipan Pal:** Just couple of questions. In your balance sheet entry I just found one particular line unsecured loans by shareholders, could you please throw some light on that?

**Saumil Daru:** This is basically on consolidation of I-Ven, there is a promoter's loan from Vikas Oberoi which is there in that. So this unsecured loan is also coming from Vikas Oberoi, it's not any external loan but it is just that is consolidation, so we end up reflecting it.

**Sandipan Pal:** Another question on sector, since we are also looking for parking scheme approval for our new Worli project. Now how you can see that approval in terms of new parking schemes is moving, any new projects which have got approval under this 40% profit-sharing norms?

**Vikas Oberoi:** About three projects have got approval under the new approval scheme and the speed at which they got approval and the clarity with which they got approval was immense. We like the way the things are panning out and I can only comment that approvals are now available.

**Sandipan Pal:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Anand Raghvendra from Allegro Capital, please go ahead.

**Anand R:** Hi, earlier you had mentioned that the margins for Splendor Grande and Exquisite have dropped down because of some revision in cost. Will there be a price increase accordingly?

**Vikas Oberoi:** Two things, the margins have decreased because of increase in costs and with increase in cost is not really all pertaining to inflation, it is simply improving the spec of the projects and yes we clearly believe that making a superior product will help us get superior pricing also. So we are quite confident that our margin will just jump back.

**Anand R:** So there is a potential for?

**Vikas Oberoi:** Yeah for the unsold flat we have a clear opportunity.

**Anand R:** That will be around 50%?

**Vikas Oberoi:** Yeah.

**Anand R:** Thank you.

**Moderator:** Thank you. The next question is from the line of Aatash Shah from Nomura, please go ahead.

**Aatash Shah:** Good evening. Basically now that you have two projects in Worli, do you think you would continue with the bid for the Hindustan Unilever property?

**Vikas Oberoi:** The press continues to quote me on anything I say but on a lighter note I am even happy to buy Bombay dyeing which is right behind me. Having said that we are happy to buy all of Worli why only Hindustan Lever property. I love Worli as a location; it's a center of the city and the speed at which we build our infrastructure I don't see the Sea Link coming up in the next 5 years. I am hoping and praying like any other Mumbaikar really does. But having said that it is beautifully located, you are almost in Bandra or almost in the city being in Worli. So we like Worli and we are happy to bet ourselves in there as well, provided it comes at a price which makes sense.

**Aatash Shah:** And just to understand about dynamics between Esquire and Exquisite, now over the last 3 quarters ever since probably even the launch of Esquire, it has outsold Exquisite and it seems that the difference in pricing between the two projects is sufficient to attract buyers towards Esquire ignoring the earlier timelines for this project. So, any plans to equalize this by maybe raising the prices in Esquire, decreasing the ones in Exquisite?

**Vikas Oberoi:** We will take your advice and do it tomorrow. On a serious note we are looking at increasing the price so you are spot on actually.

**Aatash Shah:** So, you would be probably be looking at the decline in volumes in Esquire rather than increasing volumes in Exquisite?

**Vikas Oberoi:** Not really because we are making larger apartments in Esquire and people who buy big apartments actually have less sensitivity towards pricing then people wanting to buy smaller apartments. So we are looking at an increase.

**Aatash Shah:** Alright, thank you.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek Gupta from Merrill Lynch, please go ahead.

**Abhishek Gupta:** Evening Vikas. Quick questions, maybe you have partly answered this but I will still try it. From a strategic point of view Mumbai still remains your favorite or are you looking at Bangalore or any other place?

**Vikas Oberoi:** No first part of the question is my answer that it continues to be of strategic and prominent interest to us and we are happy to look outside but it needs to make huge sense.

**Abhishek Gupta:** Are any particular second favorites?

**Vikas Oberoi:** Both Delhi, Bangalore both look good.

**Abhishek Gupta:** Okay, thank you very much.

**Moderator:** Thank you. The next question is from the line of Chetan Vadia from JHP Securities, please go ahead.

**Chetan Vadia:** Hi sir. I have only one question on the slide 10 which is on the property management services, it still continue to be negative, any outlook on that?

**Saumil Daru:** What happens on the property management services part is some part of those services are rendered for the properties which we continue to have in stock, for example if there are offices in Commerz so to that extent there is a very marginal element which shows up as negative, that is also showing up as negative because of more accounting reasons like consolidation rather than anything else. So at least as far as our recoveries from third-party outsiders are concerned that's fully there. So the moment you will see occupancy percentages crank up you will see that these negative margins goes away. This is a very immaterial number very frankly.

**Chetan Vadia:** My last question on the Oberoi Mall occupancy stands on 94%, are there any more shops or anything likely to come up there?

**Saumil Daru:** The one thing which we also look at Chetan is you are still seeing the FDI policy on the retail being in a little bit of flux. As and when you will see that open up you will see more retail chains coming in or more retailers coming in so obviously you also want there to be a little bit of space left for some of these newer, bigger and better brands as they come into the country. Even at 94% occupancy the mall is doing very well, its doing exceedingly well. So from our perspective it will make sense for us to bring in these brands as and when these guys come in, it will also bring in a little bit of freshness into the mall, it will bring in newer footfall, it will also raise the profile of the mall. So there are many such advantages. So we are also strategically holding back this thing and at every point of time we want to lease out 100%. But you also want to ensure that your mall is competitive vis-à-vis the market and it has the right mix to attract the right kind of people.

**Chetan Vadia:** That's it from my side.

**Saumil Daru:** Thanks Chetan.

**Moderator:** Thank you. The next question is from the line of HR Gala from Quest Investments, please go ahead.

**HR Gala:** Hi congratulations for good set of numbers Sir.

**Vikas Oberoi:** Thank you Gala.

**HR Gala:** Just one question coming from slide #19. If you have it in your front, this Oberoi Splendor the base price of last transaction which says 16,750 and there is an asterisk which is calculated on built-up area. What does it imply?

**Saumil Daru:** If you look at it all our pricing for Splendor has been on the basis of just the built up and as for all the rest of the project it is on the basis of the saleable area. So obviously then we are calculating it just on the built-up, so if you know in Bombay the way there is carpet area, there is built up area and there is sellable so obviously all this pricing which is being driven is being driven out of the built-up area and this is how we have done it historically. So that is why we are not changing any of the numbers around that.

**HR Gala:** That's fine but as far as the estimated area and square feet which you have given for Splendor?

**Saumil Daru:** That's all built-up.

**HR Gala:** And in case of the other properties it is the sellable?

**Vikas Oberoi:** Yeah.

**HR Gala:** Okay I wanted to know that. So if we just roughly calculate just tell me whether this is correct or not, based on your last base price does it mean that we have got about 2,572 crores worth of revenues to the book if we liquidate all inventory at that price?

**Saumil Daru:** Yeah but there isn't that much inventory left now.

**HR Gala:** No there is 23,74,350 square feet are left.

**Saumil Daru:** Okay I thought you are only talking about Splendor?

**HR Gala:** No not Splendor I am talking about in total for all these five properties which you have mentioned, does it imply that?

**Saumil Daru:** Even at a base rate assumption of Rs 10,000 which is the least of the lot it will come to that much.

**HR Gala:** What will be the rough time span during which this revenue will get recognized?

**Saumil Daru:** Our estimation and we have been talking about this since the time of the IPO is that we believe that we will be able to monetize it in over the course of the next five years.

**HR Gala:** So one-year is already over?

**Saumil Daru:** For some projects it will be a lot faster, so if you take Splendor Grande it will be a lot faster, Oberoi 7 it will be a lot faster, Esquire and Exquisite will go on a little more.

**HR Gala:** Do you see the margin in the other verticals for example in the residential you explained because of the reasons why they are suppressed? As far as the others are concerned I just wanted to understand that for example in your western Mumbai Garden city we are having EBITDA margin which has drastically come down to about 14.65% in this particular quarter, what could be the reason for that?

**Saumil Daru:** Hotel is very simple if you will look at it you will also have to take it along with the fact of what is the occupancy. In the quarter before that the occupancy was at about 66%, during this quarter it was at about 56%, the July to September quarter for hotels is also supposed to be the weakest of the four quarters at least as far as Mumbai is concerned and in hotels what you have is majority of it are fixed cost. So you have staff cost, housekeeping, electricity all of those which more or less remain the same. So the moment you will see a crank up in occupancy you will see more then disproportionate contribution to the bottom line from all the revenues which come in to the top.

**HR Gala:** All fixed cost remains more or less same?

**Saumil Daru:** Absolutely.

**HR Gala:** Thank you very much and wish you all the best.

**Saumil Daru:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA, please go ahead.

**Abhinav Sinha:** Good evening. Sir my question is that on commercial we have now seen that there has been a little bit of decline in the commentary that you have been given quarter-on-quarter on your expectations. So are we looking at reducing our capital expenditure on the segment going into the next few quarters?

**Vikas Oberoi:** We continue to sit on so much of cash and we are in for the long play of this business and we feel that it may be momentary that there is a slowdown. Once the economy picks up because everything else is based on how the basic economy will pan out, real estate supports the other industries, if other industries continue to do well and they want to invest then they will obviously need offices and by then we will be ready for them. So if I take a long-term view, I don't really need to worry and we are among the only few developers who will probably be building the commercial space and once the demand comes back then there will be really no issue as such. So I don't see ourselves in a position where we need to check ourselves or rather not go ahead and build them. We have already done one large construction and the next one is under construction so we don't see ourselves doing anything like that.

**Abhinav Sinha:** Then again how do you say slowdown in leasing momentum or commercial sales with your increase in residential prices?

**Vikas Oberoi:** Both of them are different. For an office lease you need the MNCs to do well and they must be in an expansion mode but the residential component continues to do well. It in fact continues to defy, even interest rate increase and so on and so forth. Here again I continue to tell people that this may not be the case for all developers, we would probably be lucky having hit at the pinpoint as far as our brand name, as far as even our project locations go. So our being bullish is based on the response we are being getting and others would obviously study their own performance as well. This is what makes us believe that yes there is some potential for us to increase price.

**Abhinav Sinha:** Finally, on your Worli acquisition that you did from ICICI ventures, do we have a targeted IRR for the deal?

**Saumil Daru:** Whenever we do any transaction we would always want to ensure that our IRR is far higher than what the investor or the analyst community uses as a number to discount the cashflows, so you will obviously want to achieve that for any deal to be value accretive. So we do have certain target IRR but a lot of it is going to depend on what kind of development you do, when do you start, when does it end, what are the market prices during the course of the development, so there are so many factors. But you would have not only seen that in Worli but you would have seen that for some of our earlier bids and you will also see us continue to display that kind of discipline as we go forward that we wouldn't want to buy a property for the sake of demonstrating to the market that we have bought this property, we would only buy it if we feel there is genuinely any value to be derived from the deal.

**Abhinav Sinha:** Sir any base case number for this that you would like to give us, 15%-20% higher?

**Saumil Daru:** As I said it has always got to be higher than the number at which you discount us.

**Abhinav Sinha:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint we will take the last question from the line of Nitin Aggarwal from IDFC Securities, please go ahead.



**Nitin Aggarwal:** Thanks for taking my question, on the Splendor project. We have sold about 3 flats a quarter during the quarter when the project has been completed and this run a little counterintuitive to the general sense that a ready constructed properties in Mumbai are in fair bit of demand and so is there a deflection of fact that there is a resistance which increase the prices quite a bit on the Splendor project on the completed property. So is there an indicator of the resistance which is there in the demand when we keep increasing prices when the prices can go up quite steeply?

**Vikas Oberoi:** Not really let me just put this in perspective, we have almost 1,295 apartments of which we have sold close to 1,210 odd flats. We are left with about 85 flats. Now look at who is competing with us, people who have bought earlier and want to re-sell or there are now these apartments available on lease. So out of the 1,200 even if 10% or 15% of the people want to sell, you have 150 odd people wanting to sell their apartments to compete with us where either by virtue of they having bought earlier have a better located apartment or because they may have bought it cheaper are willing to discount it by Rs. 500 here and there. And the third factor is that we also not being very strict about making sure that they sell it at a particular price only. We have our right of first refusal in every document that we do but we are being lenient about it, we are letting them sell it also and this is only to create goodwill and even though we have stringent policy for investors. People do creep in and people do buy apartments posing as actual users and then sell them as investors. So this is one fact of the market we can't really come out of. All we can do is wait for these people to sell with what they have. In the time when I have sold only 5 apartments, I have transferred more than 40 apartments. So there is clear demand and the demand is either Rs. 500 cheaper than what we sell at or there is a different structure that they sell it on which I can't really comment. But that's a fact or maybe they have a better located apartment, its Aarey facing or something like that or a lower level apartment. So once this goes away from the market which is going at the speed of again one or two apartments a day so once that is out we are back into the business and we continue to sell. So I'm not unduly worried, this is a trend I have seen in almost all my projects and nothing really much to see in it.

**Nitin Aggarwal:** And secondly on the Goregaon projects now the run rate that we are maintaining on the two projects combined put together, do you see that run rate in terms of area being sold being maintained at those levels. See even on Exquisite, on Esquire now we hit a certain number of tipping point once even increase the rates like the same happened with Exquisite and we saw a sharp slowdown in the sales volumes in the later part of quarter, do you see bit of sort of spurt which happens in the initial phase of the projects and projects lie low for a while, while the construction happens and the pickup happens in the later stages. So are we getting to a same sort of stage in Esquire which will lead to some bit of slowdown in sales going forward?

**Vikas Oberoi:** I don't see that because there are two things basically, one is people like to come in when a lot of work is not done; we are still in foundation stage. But if you look at Exquisite we are already 30 slabs done. So when you say 30 slabs done almost 80% of the payment is due. So the difference is that Esquire continues to demand only 40% on booking whereas Exquisite takes away 80% and so people who want to plan their payment out, they prefer Esquire and Esquire still continues to be a preferred option and once Esquire comes to a stage where we have done 25-30 slabs you know that we have got a lot more to sell in Goregaon, we will continue to do that. So this is like playing a one-day match, you got to have your one eye on the score card and then bat and we continue to do that prudently and we want to make sure that we have X amount of area being sold for quarter we will at least try and do that. This also keeps us on our toe and continues to make us perform better. We are very conscious, thank you for bringing that up but we ourselves are very clear that this needs to be done in a particular way.

**Nitin Aggarwal:** Thanks and best of luck.

**Vikas Oberoi:** Thank you all for participating for this con-call. I really appreciate you guys for taking valuable time, all of you know that Chirag looks after Investor Relation, any follow on questions please feel free to speak with Chirag and we are always there for you. Thank you.

**Moderator:** Thank you gentlemen. Ladies and gentlemen with this we conclude this conference call. Thank you for joining us and you may now disconnect.